

Value For Money note for updated Government Buying Standard for office furniture (2014)

Introduction

This note sets out a summary of the economic, social and environmental costs and benefits of procuring to the standards set out in the new Government Buying Standard (GBS) for office furniture (see: <http://sd.defra.gov.uk/advice/public/buying/products/furniture/>). For guidance on implementing the GBS Procurers will wish to use the associated Procurers' note, also available on the GBS website.

Approximately 165,000 to 200,000 tonnes of office furniture are thrown away by British businesses every year – more than half of which is thought to be reusable. Such waste could be significantly reduced if more furniture were reused or refurbished. Government can lead the way in this.

Criteria – Content and Scope

The key premise of the **updated** GBS is that reuse and refurbishment should be deployed before any new furniture purchases and all new purchases of standard furniture should be refurbished furniture if that is available or from a core list of standard items designed to facilitate reuse and refurbishment and with manufacturers making available technical details e.g. CAD diagrams to facilitate the refurbishment of the desk tops. The existing GBS, dating from 2010, already included a range of other criteria e.g. on hazardous chemicals, plastic recyclability and sustainable wood as well as encouraging Departments to meet 5% of their requirements through reuse/refurbish/re-upholster of existing stock.

This section outlines the costs and benefits of implementing the 2010 Government Buying Standard and its 2014 successor from the perspective of the UK as a whole. It then considers the benefits of implementing the 2014 successor GBS from the perspective of a Government Department which currently purchases a notional £10 million worth of furniture per annum. The assessment of costs and benefits follows the standard Government Impact Assessment methodology which looks to monetise a range of environmental and social, costs and benefits.

Costs and benefits to UK as a whole:

The Impact Assessment for the implementation of the 2010 Government Buying Standard by central Government, covering elements as outlined above, identified costs of £ 13.7million and benefits of £54.4 million, a net benefit of £40.7 million to the UK as a whole, over a 10 year period.

The Impact Assessment for the updated 2014 GBS builds on this, but covered only office furniture. It estimates current expenditure in central Government at £45 million per year. Overall, total benefits, over 10 years, equal £49.9million (£48.4m net savings in government procurement and £1.5m reduced carbon emissions) and total costs £4.7 million in administrative costs to government. This equates to a **net benefit of £45.2 million** for the UK. This is over and above the benefits of the existing buying standard. Further details are set out in the footnoteⁱ.

These costs and benefits were based on analysis looking at four core products (chairs, desks, pedestals and shelving) and it has been assumed that increasing use of reused and refurbished furniture will be 'phased in' (i.e. that over time reused and refurbished furniture use will become more common).

These are the savings estimated from central Government implementation of the Government Buying Standard. Clearly, if other public sector bodies follow the example set by central government there could be additional savings.

Costs and benefits for a Government Department

Procurers may be more interested in the **monetary costs** for their Department. For a Government Department that usually spends around £10 million per annum on furniture, implementing this latest GBS (i.e. the changes since the 2010 GBS) will deliver an estimated cost savings of £1.1million per annum (on average; the IA is based on a 10 year period). There will also be an estimated additional £32,000 (or £0.032million) saving per annum from a reduction in waste

management costs¹. Implementing this standard is expected to cost an extra £0.1 million in administration. The net saving is an estimated £1.0 million per annum (to 1 decimal point).

Impacts on the wider economy

Small to medium sized businesses (SMEs) currently have a significant role in the manufacture and supply of furniture to the UK government. Increased use of reused or refurbished furniture could have a negative impact on suppliers of new furniture but this may be somewhat offset by an increase in opportunities for refurbishment which, due to transport constraints, is likely to be carried out by UK businesses. It is worth noting that although it is anticipated that furniture makers will lose revenue from a net reduction in demand for furniture, at an economy wide level in the medium/longer term, we would anticipate no overall reduction in economic output – as resources formerly tied-up in producing furniture would be re-deployed towards the production of other goods and services in the economy.

WRAP has done some econometric modelling of the impacts of businesses across the UK purchasing reused furniture. Modelling the overall effects on the UK economy the work estimated an increase in GDP of £10 million, which whilst small serves to demonstrate that there is not a negative impact on GDP, even having taken into account, the reduction in UK manufacturing. The report also concluded that there was no change in employment overall in the modelled scenario as remanufacturing jobs replaced manufacturing jobs.²

Procurement Context

The annual UK market for office furniture is estimated to be around £680 million of which only 9-10% is procured by Government. The GBS can therefore help drive innovation to deliver longer lasting, more durable and environmentally friendly furniture that is more easily reused and remanufactured.

It is believed that current capacity for new furniture that meets the GBS is good, with suppliers on the Crown Commercial Service (CCS) RM1501 framework participating on Lot 1 (Office Furniture) required to comply with the GBS for products offered via the core Government product list.

The CCS RM1501 Framework Agreement, which was awarded in December 2012 covers the following within its scope: Lot 1: Office Furniture; Lot 2: Residential Furniture; Lot 3: High Density Steel Storage Furniture and Lot 4: Repair and renovation of furniture.

For further information see: <http://ccs.cabinetoffice.gov.uk/contracts/rm1501>

Reuse - A portal is available on the CCS website on which Departments can advertise surplus furniture or a forthcoming requirement for furniture. <http://ccs.cabinetoffice.gov.uk/i-am-buyer/reuse>

Refurbishment - Lot 4 of the above framework includes suppliers who can repair and refurbish furniture.

¹ This estimate is indicative only. The cost of this disposal is likely to vary by location and waste management contract. As an estimate of this cost, a figure of £76 per tonne of furniture disposed has been assumed. This is the cost of the Gate fee plus Landfill Tax when waste is disposed of at a landfill site (*WRAP Gate Fees Report, 2012*).

²Cox V., Boulos S., Fitzgerald, J., Vinogradova, M., Buckland, T., Thoung, C. “Economic Impacts of Resource Efficient Business Models” (2013) Project code: RBM200-009; See: <http://www.wrap.org.uk/sites/files/wrap/Economic%20impacts%20of%20resource%20efficient%20business%20models%20final%20report.pdf>

Legal and Ease of Use

The GBS for office furniture sets out a range of mandatory criteria for use, either as part of a technical specification or as award criteria to be used in the selection process. In addition, the GBS also includes a range of optional best practice criteria which are aspirational and for which no cost benefit analysis has been undertaken. A legal risk analysis of implementation of the current GBS for furniture has been carried out and the overall risks of a successful legal challenge are considered to be low.

Strategic and Policy Context

Under the Greening Government Commitments³ the Government Buying Standards are mandatory for Central Government Departments, their Executive Agencies and Executive Non Departmental Public Bodies (NDPBs), and non-Ministerial Departments in England. They are voluntary for the wider public sector.

The **Government Property Unit** is the property function of the Efficiency and Reform Group in the Cabinet Office and leads Government property strategy across the public sector. It is responsible for delivering targeted savings as well as improving the built environment and promoting economic growth where possible.

Preventing excess waste from arising delivers environmental, economic and social benefits, and is key to moving towards a more sustainable economy. Reducing waste is at the top of the waste hierarchy, followed by reuse and then recycling and it can support growth and help government, householders, local councils and businesses to save money. This concept is set out in the revised Waste Framework Directive (2008) (rWFD) and the 2011 Review of Waste Policies, which highlighted the importance of action to prevent waste and encourage reuse. Defra is currently developing a Waste Prevention Programme for England, a requirement of the rWFD.

Data and Assumptions

A full description of the data and assumptions can be found in the Impact Assessment which was approved by Defra Economists. Assumptions include an estimate of total Government spend of furniture and an estimate of the number of furniture items purchased annually. It has been assumed that increasing use of reused and refurbished furniture will be 'phased in' (i.e. that over time reused and refurbished furniture use will become more common). This phase in reflects the practicalities of furniture reuse; furniture may not be able to be reused indefinitely and so some purchases of new furniture will be necessary. In calculating the cost and benefits it is assumed that government sustainable procurement would have continued at current levels (i.e. levels of refurbishment/reuse would not have increased over time) in the absence of the new standard. The Crown Commercial Service's current framework does not enable purchase of refurbishment but it is hoped that its successor will enable this (i.e. post 2016).

The Impact Assessment is available online with the GBS.

Stakeholder views

9 out of 14 respondents thought it was presented in a clear and accessible way; 5 thought it sufficiently ambitious; 2 too ambitious; 3 not ambitious enough (with 4 not responding directly). There was concern from several respondents about the assumption in the IA that a 'reuse and refurbishment' rate of 80% could be achieved within the 10 year time frame covered by the IA. This was amended down to 70%.

³ <http://sd.defra.gov.uk/documents/Greening-Government-commitments-Jul2011.pdf>

ⁱ The impact assessment seeks to outline the costs and benefits of the proposed changes, and monetise these where possible. Broadly speaking the following costs and benefits have been identified as relevant:

Costs:

- Administrative burden – the additional costs to Government of managing the new system of acquiring furniture (£4.7m)
- Any loss of welfare from using second-hand furniture rather than new furniture. It would be very difficult to estimate the magnitude of such costs and therefore they have not been monetised.
- There will be some unquantified transition costs for the furniture industry of moving resources from production of new furniture to refurbishment and other industries.

Benefits:

- The net financial benefits to Government from procuring less new furniture (£48.4m). This is calculated based on a reduction in spend on new furniture (£53.7m) minus the increase in spend on furniture refurbishment (£5.3m)
- Environmental benefits of emission savings (£1.5m) from lower levels of new furniture production.
- Other direct benefits not monetised in this cost benefit analysis include reduced greenhouse gas emissions (excluding carbon) and reduced waste as a result of lower production of new furniture.

We assume that UK producers will reallocate resources which were formerly used to produce new furniture to providing other goods and services. This may partially offset the reduction in revenue for domestic businesses, but may result in an increase in energy costs and carbon emissions.

Given that the IA does not include waste disposal costs an additional calculation has been done to estimate the monetary costs of implementing these changes for a Department spending a notional £10 million per annum.